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15 October 1964

MEMORANDUM FOR: General Carter

SUBJECT: Agency Procurement Activities in Fiscal Year 1964

1. I have noted DDS' report of August 14 to you on Agency procurement activities for Fiscal Year 1964.

2. It is my opinion that savings can result from insistence upon competitive fixed price contracts in every instance where such procedure is practical. While I realize there are areas of procurement where other than competitive and fixed price arrangements are feasible; nevertheless, it is my observation that this principle can be applied in an increasing number of situations with consequences of benefit, if you and DDS insist upon it. I therefore urge you, as a matter of policy, to take such a position and to establish regulations which would require our procurement officers to explain the reasons why competitive and fixed price contract arrangements are not feasible before they proceed on a sole source, non-competitive or cost plus fee award.

3. With respect to fixed fee contracts, it has been my experience that vast savings result from incentive type contracts. A number of forms for incentive contracts have been developed by Defense and NASA and I am sure they are utilized by CIA. I urge that they be used to the fullest extent possible and that our procurement officers be instructed accordingly.

JOHN A. McCONE
Director

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